

**Sattva Live: with CSRs**  
**Conducted on 9<sup>th</sup> April 2020**  
**Webinar: Summary of Frequently Asked Questions**

*Document dated 13<sup>th</sup> April 2020*

**FREQUENTLY ASKED QUESTIONS:**

**COMPLIANCE**

**1. What do the recent proposed amendments to CSR Law mean for corporates?**

The **proposed** amendments to the CSR Law Rules (Ministry of Corporate Affairs had invited public comments on draft Companies (Corporate Social Responsibility Policy) Amendment Rules, 2020 vide a notice dated 13<sup>th</sup> March 2020) with an impact on corporates are explained below.

- a. The amendment clarifies rules around unspent CSR. It confirms the 1+3 year period to utilise CSR funds. Any unspent funds at the end of a financial year must be transferred within a period of 30 days to 'Unspent CSR Account'. Companies have a 3-year period to utilise unspent funds - after which funds must be transferred to a fund mentioned in Schedule VII. The Central Government has been directed to set up a National Unspent CSR Fund for such purposes.
- b. It allows companies to undertake programmes that benefit their own employees - so long as employees constitute less than 25% of the beneficiary population. This is especially salient for skilling programmes - companies can reabsorb up to 25% of the training class which they may have funded as part of their CSR programs.
- c. It is proposed to make Impact Assessment mandatory for companies where average CSR spends in the past 3 years have exceeded 5 Cr. Companies required to undertake Impact Assessment can allocate 10% of budget for admin expenses.
- d. The proposed change in allowed implementation vehicles will not have an impact on current allocations but if the amendment is passed CSRs might have to consider selecting their non-profit partner accordingly going forward. Corporates may need to restructure their own foundations to come within the ambit of the law.
- e. There is a need to relook CSR Policy, and the CSR Reporting Structure to comply with the proposed changes. Amongst the same provision, companies may be required to create annual action plans.

Please refer to Sattva's document on the proposed changes [here](#) for more details.

**2. What is the impact on non-profits due to the recent proposed amendments to CSR Law Rules?**

The **proposed** amendments to the CSR Law Rules (Ministry of Corporate Affairs had invited public comments on draft Companies (Corporate Social Responsibility Policy) Amendment Rules, 2020 vide a notice dated 13<sup>th</sup> March, 2020) seem to indicate that CSR projects may no longer be implemented through Trusts and Societies. The text seems to suggest that CSR projects can be implemented through Section 8 Companies,

organisations established under Acts of Parliament or State Legislatures and limited international organisations.

If rules were to be notified as is - non-profits could look to either convert themselves into Section 8 entities or establish a new associated section 8 entity. The rules seem to do away with 3-year track record for implementation agencies. Thus, these new established Section 8 companies should be able to receive funds immediately. Additionally, any funds committed prior to the notification of the rules, would not be affected by the changes. However, given that the PM CARES Fund has also been set up as a Trust that can receive CSR funds, it is possible that this amendment may get revised.

*The proposed amendments to the rules are yet to be notified. MCA is currently soliciting feedback on the proposed amendments from concerned parties. We strongly advise you to express your concerns regarding these changes to the MCA [here](#) before 20<sup>th</sup> April 2020.*

### **3. Do efforts for COVID-19 relief come under the ambit of CSR ?**

The MCA circular dated 23<sup>rd</sup> March 2020 clarifies that spending of CSR funds is an eligible CSR activity. It further clarifies that funds may be allocated under  
(i) promotion of healthcare, preventative healthcare and sanitation  
(xii) disaster management

It also reiterates that activities under Schedule VII are broad and may be interpreted liberally. In light of this companies should feel free to invest CSR funds towards COVID-19 Assistance, as long as funds are allocated in a manner permissible under CSR Act:

- through a permissible entity (directly/through own foundation/through registered Trust-Society-Section 8 company/Schedule VII funds
- for activities in areas or subjects specified in Schedule VII
- in a project manner (defined objectives, timelines, activities) with a formal grant agreement in place

### **4. Can we purchase and donate equipment to medical institutions?**

Yes, corporates can establish a project in this regard either directly or in partnership with an implementing agency.

### **5. Do donations to the Chief Minister's Relief Fund (CMRF) count as CSR?**

The Ministry of Corporate Affairs has clarified that contributions to CMRFs or State Relief Funds do not fall under the ambit of CSR as they are not included in Schedule VII of the Companies Act 2013. It has been clarified that contributions to the State Disaster Management Authority would be counted as CSR. Please refer to the [recent circular issued by the MCA](#) on 10<sup>th</sup> April 2020 for some more clarity on this.

### **6. What are the benefits and shortcomings of CSR contribution towards COVID-19 through PM CARES Fund?**

On the positive front the Government has the greatest reach, access, visibility in the current crisis scenario, especially considering the lockdown where movement/access of

private actors has been limited/curtailed. From a funder perspective, PMCARES offers 100% tax rebate and also offers an opportunity for corporates to align with the priorities of the Central Government.

However, at the moment, there is no clear transparency or accountability built into the system to review progress or impact of contribution and funders should keep in mind that their contribution will be part of a much larger pool, so ensuring spend is targeted towards your particular stakeholders or communities may be difficult.

## **7. Do one-time contributions of support for COVID-19 relief count as CSR?**

Donation of medical equipment/emergency supplies is likely to be considered CSR. Donating one's own products would constitute CSR (soap company distributing its brand of soap, free of cost to communities), if procured at cost price with necessary documentation. The MCA clearly states that rules are to be liberally interpreted, as long as there is right intent, one-time donations should not be a problem. You can also look to structure these donations as a part of a broader project.

Do ensure that you have all internal memos/requirements/approvals well-documented so that in an audit as late as 10 years from now, it is clearly evident that there was due, fair & accountable application of mind based on compliance as well as genuine need.

The one-off events that are not permissible under the CSR act are events such as marathons/ awards/ charitable contribution/ advertisement/ sponsorships of TV programmes, etc.

## **8. How do the changes mentioned in the Finance Act impact CSR contributions?**

The Finance Act 2020 expects all the existing charitable and religious institutions registered under Section 12A (trusts and institutions registered prior to 1996), Section 12AA (trusts and institutions registered after 1996), Section 10(23C) and Section 80G to re-apply to the income tax authorities to revalidate their existing registrations. The validity of the fresh registrations of non-profits will be five years. Application for renewal after five years must be made at least six months prior to the expiry of the five years' validity period.

For corporates:

- Due diligence to check for validity of the partner organisation.
- Every registered trust or institution shall furnish a statement as prescribed (which contains the details of donors alongside donation received by the trust or institutions). After furnishing such a statement, a trust shall issue a certificate to the donor specifying the donation details.

It is yet unclear of the nuances in this regard and we await further clarity from the MCA on this.

## **9. What can I do if I have unallocated/unutilised/unspent CSR funds for FY20?**

As per the High-Level Committee recommendations, allocation does not equal spend. Funds need to be utilised by the implementation partner in order to be considered as spend. CSR rule changes provide for projects to be classified as multi-year projects and

for utilisations to happen over a 3-year period. However, **these have not been notified as yet.**

Our recommendation is that there is no need for utilisation in the same year. Corporates should report and obtain Utilisation Certificates for funds that have been allocated and utilised. Report the allocated and utilised funds separately.

If funds are unallocated, it is recommended to keep all documentation/governance compliance required to convey intent to have allocated/spent by 31<sup>st</sup> March 2020, had Corona not impacted the process. It is also recommended to get this approved by your auditors as a safety measure.

## COVID-19 RELIEF

### **10. In times of disaster or health crises, how can we build a common and unified contribution to a specific blueprint for managing that disaster?**

It is currently hard to say that one blueprint that may be the answer to all the issues at a National level. The Government is best placed to work on this at this point in time, given the constraints on movement and understanding the ground reality. We believe that each sector will come out with its own blueprint on how to navigate this uncertainty. For example, the handicrafts sector has been working on its own blueprint on the way forward. We also believe there is immense work to be done on both the immediate response/ relief side as well as towards rebuilding communities and livelihoods. The current crisis is an opportunity for us to focus on building resilience amongst the vulnerable communities we seek to impact.

### **11. What is the impact on current projects? How can corporates support them at the same time as enabling COVID-19 relief?**

We believe that there may be an impact on funding for current projects due to the diversion of funds towards COVID-19 response and the limited funds available to corporates at this point in time.

We, however, would like to advise corporates to consider existing partners and communities on priority and work with them closely on how their programs and organizations can be leveraged or pivoted for COVID-19 response. We also recommend that administrative expenses of current projects/ grantees continue to be paid even if the work on the ground has stalled due to the lockdown as loss of talent will prove to be very expensive for both the corporate and the partner in the longer term.

### **12. Do you see any change in the CSR Policy of corporates going forward? What do you see as the focus of CSR in projects going forward?**

Based on our experience, we believe this is a good time for corporates to begin to look at CSR more strategically and plan for long term impact. We also suggest that corporates look at a data-backed theory of change for their CSR projects that work synergistically to address the problem. A lot of CSR money has gone into the metro

cities in the regions where corporates have their offices either due to involvement of employees or greater ability to monitor progress of projects. In the future, this urban focus may shift towards more regions in need, given the complementary nature of both, such as reverse migration changing the nature of the unorganised workforce in urban areas while significantly changing the unemployment landscape in rural areas.

There is also a need to build more resilient solutions that stand the test of time and have the ability to deal with uncertainties built in during design. In addition, there may be a requirement to build resilience in the implementing agencies and therefore provide for skills and infrastructure of virtual tools.

### **13. What are 3 significant pointers for making a meaningful contribution in the situation?**

We suggest adopting the below approach to maximise impact through your contribution:

- a. Assess need and impact to own portfolio
- b. Decide split of funding between ongoing programs, additional COVID funding for relief and ongoing (new) areas of investment
- c. Identify and work with credible partners while monitoring outcomes in a sensitive manner appropriate to the current situation

### **14. What is the process of due diligence during times of COVID relief?**

While it is critical for conducting due diligence of implementation partners to check credibility, we recommend that the process be lean so that organisations do not have to spend a lot of their valuable time in securing funding rather than working for impact. The need, today, is for localised NGO partners with feet on the ground to ensure that the reach is the highest.

There is a need for streamlining processes so that paperwork is minimal while fund disbursement is quick. For this, there is a need to make data-backed informed decisions by corporates.

We have a long list of credible NGOs whom we have conducted rigorous due diligence in the past, whom we are happy to connect you with. We are also open to conducting lean due diligences at the earliest for partners of your choice or those who meet your criteria.

### **15. How can employees contribute towards COVID-19 relief?**

Given the lockdown situation, employee volunteering options are now available online as virtual volunteering options. During this crisis, there is a need for support to bridge the digital literacy gap, particularly in rural areas. There are opportunities for employees to provide remote help to non-profits with funding proposals, building digital presence on fundraising sites, building websites and even capacity building through skill training. We suggest encouraging employees to volunteer their time and expertise to help the development sector while they may have some time on their hands. Apart from their time, employees can also donate their funds either through payroll giving, matching donations with corporates or direct retail giving, as multiple corporates are already doing.

**16. How can we effectively monitor COVID-19 projects remotely? How can we ensure that funds reach the right people and are being used effectively?**

Despite the urgency of the situation, it is critical to ensure that funds are being utilised as they were intended to be. We suggest that all corporates ensure that monitoring is built into proposals from NGOs as a critical expectation. This will enable you to get data from the ground and keep you updated on the progress. This data will also help you in making relevant strategic decisions in the longer term.

It is recommended to ask NGOs to submit baseline data before starting the project and spend efforts in taking periodic surveys on the progress. While these may detract from immediate impact, it is a great way to track progress and course-correct as needed in a timely manner. To make certain that funds are reaching the right people, you must make data-backed decisions both on the partner selection as well as the area of need.

**17. Any suggestions on how we can help the retail fraternity to come out of this situation with some CSR interventions.**

There is no doubt that this lockdown is proving to be extremely costly for businesses and contract workers whose livelihood has come into question. There are many options to be explored in terms of support to retail workers: skill building, mental health assistance, livelihood monetary support and many more.

There is a lot that can be done during this down-time to build their skills, develop specialisation and boost their expertise to secure their future. One of the major risks of this lockdown is the loss of skills during the downtime which renders people unemployable in the future. It is critical to look at projects in the near term beyond immediate relief to address this.

There are many NGO partners who work in specialised fields of sector-specific training and support who may be a good connection. Do reach out to us to orchestrate connections with relevant NGOs in fields of your interest in geographies of your focus.

**18. How can donors come together as a consortium for achieving long term goals to tackle COVID 19?**

Collaboration is indeed the need of the hour and Sattva is open to sharing our knowledge and resources during this time of need. There are many corporates coming forth who would like to contribute as part of a collective and build longer term solutions. We are happy to involve those interested in both our immediate relief efforts and our intermediate term co-creation of solutions.

For those who are looking for a collaborative CSR platform, Sattva is happy to introduce you to the India COVID Response Fund, a collective giving platform anchored by Give India and supported by the stalwarts in the ecosystem including CSIP, Dasra, Facebook, ATE Chandra Foundation and many others. Do drop us a line if this is of interest to you.



## IMPACT

### **19. How do we also establish facts from fiction which becomes an imperative in being able to manage a countrywide emergency with an authentic stream of data and information?**

Inaccurate data and fake news are the bane of our times. We, at Sattva, have made a start to ensure that we are able to provide some clarity in this clutter. We have built an interactive data dashboard as part of India Data Insights that tracks requests for assistance and committed funds at a district level across the country. The data is from public verified sources or have been personally verified by our teams. We believe while this does not cover the universe, it is a small step to helping corporates make data-backed decisions and support legitimate causes.

Apart from this, it is important for corporates to ensure that they do a lean due diligence of partners before committing funds and build-in reporting and monitoring systems as part of their engagement with partners. This further helps in building a view of the ground reality in these times of limited visibility.

As part of ongoing relief works, Sattva is also playing a role of bridging gaps in the supply chain through service providers, implementation partners, grassroot organisations and the Government to ensure that need is addressed at the earliest.

### **20. What does the data from the ground say?**

While it is indeed difficult to get real-time data from the ground given our travel limitations, Sattva is reaching out to our network of grassroot organisations across the country to collect data from the ground up, understand their reality and identify areas of support. We would be happy to hear from any organisation about their ground realities and support in any way we can.

Broadly, the crisis has hit the urban regions the hardest due to the strong lockdown measures being implemented. The ones most at risk are daily wage earners and the unorganised sector. Lack of awareness about COVID-19 and preventive health in rural areas is the more concerning aspect at this point in time.

Our network partners are working around the clock to be better placed to deal with the repercussions when the situation escalates in the rural areas. Most efforts are spent in spreading awareness and helping people practise social distancing as well as on enabling the frontline healthcare workers with safety equipment and training.

### **21. What is your view on immediate interventions post the lock down, in fields of livelihood, WASH, etc.? These will be immediate needs to tackle still maintaining social distancing, etc.**

It is clear that COVID-19 is a major disruptor in the trajectory of development in India. The pandemic has brought to the fore our lack of preparedness in dealing with a disaster of this magnitude. While it is a learning journey for us all, there are some critical lessons for us to absorb to prevent such a recurrence in future

We recommend a reformed approach to livelihood and health related CSR projects in the future with a more resilient approach of preparing for disaster relief and rehabilitation built into our projects.

Immediate needs that we feel need to be tackled include continued focus on maintaining health and hygiene rather than expect a drastic move towards complete freedom from restrictions. The need to guide the people on the continued need for social distancing is also something to be addressed. Livelihoods have been severely impacted particularly for small entrepreneurs, MSMEs, gig workers and others who will need immediate support both economically and otherwise. We feel all CSRs must approach the COVID-19 relief from an immediate as well as near term lens to ensure that provisions are kept to deal with cascading repercussions of immediate effects being felt currently.

**22. There is a lot of support on immediate relief, are we thinking enough about long term?**

There is a definite need to start looking at the future which has been irreversibly disrupted by the COVID-19 situation. This is the time for greater collaboration and sharing of data to get a clear understanding of the situation and the cascading effect of this crisis (for example, the repercussions on rural economies due to the reverse migration trend).

From our side, Sattva has started to co-create a longer term solution that delves into livelihoods, healthcare, education, and social protection impacted due to the current COVID-19 crisis. We are currently collecting data to understand how the vulnerable, who do not have the elasticity to absorb shock, are being impacted, particularly in rural communities. We are also exploring the need for reform of healthcare in India post the relief stage and the impact of the current extensive focus on COVID on the overall health of the nation. The current model of online education has also widely excluded a major portion of children and how this impacts education initiatives in the intermediate term.

Please reach out to us if you are interested in building/funding these solutions.

**23. How can NGOs complement each other's work technologically, which prevents them from reinventing similar solutions?**

Collaboration on all fronts is the need of the hour. Since it is hard to prescribe a one-size-fits-all solution for the sector, we trust that the NGOs on the ground know best and are closest to the data coming in on ground realities. We at Sattva are happy to support in any way we can, which includes connecting local NGOs with one another when we see synergies in their functioning, as well as conducting webinars on specific topics as the need might be. We extend an invitation to all social organisations to register with us so we can gain a better understanding of your work and areas of expertise and can assist in connecting you to the right opportunities based on your requirements.

**24. What about domestic violence or animal welfare which are not in the forefront for immediate relief? What can CSR do to support?**



While the major focus has been on healthcare related interventions, there are many underserved issues that too require support. These include the cases of domestic violence on the rise due to the lockdown, violence against children or women in locked homes, welfare of street animals and stray dogs who have been neglected and many other invisible issues.

There are many options open for such support including support for old-age homes, homes for abused women, children homes, day-care centres and other measures to improve the social capital of victims. For animal welfare, there is a vast, credible network of animal welfare associations who have come forward to house and feed these animals.

These are grave issues but ones that were not immediately evident. There are reports of Government-run helplines being flooded by calls in the aftermath of the lockdown and it is indeed important that CSRs are willing to support to the best of their ability all issues related to COVID-19 and expand the portfolio of organisations they support to ensure that these unanticipated issues also get the support they need, which was not budgeted for. We are constantly learning more on the cascading effects of this crisis and doing our best to connect those in need with those who can support.

## **25. What is the on-ground support that NGOs require apart from funds?**

NGOs are also struggling due to disruptions in the supply chain of materials for their work. Essential goods and resources are not able to reach partners despite having the requisite funds. It is critical to help with logistics and bridge supply chain gaps through service providers and other partners to ensure that NGOs are able to function with the resources they need. Food supply and ration is also a concern in some regions due to the broken supply chain. While funds are critical for projects to start, there is also a need to support specific capabilities (including technology) to make certain that they are equipped to deal with the magnitude of the situation. Building leadership potential is also critical to empower the NGOs to be able to make quick decisions.

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Well-being and health of front-line workers of these organisations is also an area of concern. Preventive healthcare equipment, ration and mental health assistance are critical. NGOs are also looking for innovative ideas on how to tackle the crisis and are open to new ideas. ICT tools to help with spreading awareness would also be of great assistance to NGOs. Support with monitoring through ICT tools, and data on evolving needs and mitigation strategies will also be a big support for non-profits.

*The above is a compilation of the most frequently asked questions. The answers have been verified with experts to ensure accuracy and reflect Sattva's current point of view. However, please reach out to your internal audit and legal teams for a final opinion on some of the technical points, as different organisations have different internal regulations. Please reach out to us at [impact@sattva.co.in](mailto:impact@sattva.co.in) in case of any additional queries.*